



Department of Justice

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(202) 514-2007
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JUSTICE DEPARTMENT APPROVES PROCEDURES TO ESTABLISH AND ENFORCE ELECTRIC POWER RELIABILITY STANDARDS

WASHINGTON, D.C. -- The Department of Justice today announced that it would not challenge a proposal by a group of electric power firms to establish and enforce reliability standards relating to the interchange of electric power over interconnected systems.

The Western Systems Coordinating Council (WSCC), one of ten electric reliability councils in North America, is a voluntary organization responsible for promoting electric system reliability and coordinating operating and planning activities for its 107 member systems. The members of WSCC, which represent all segments of the electric industry, provide power in 14 western states, two Canadian provinces, and portions of one Mexican state. As a voluntary organization, WSCC has no authority to compel adherence to reliability standards.

According to the proposal, WSCC seeks to establish a mandatory reliability system in order to maintain compliance with reliability criteria. The group's proposal would serve that end, until superseded by governmental regulation.

WSCC identifies 17 reliability criteria which, it states, are critical for reliability management and compliance determinations. It proposes to implement these criteria in three phases. The first phase establishes reliability criteria dealing with: (1) operating reserves and disturbance control; (2) balancing generation and interchange schedules to load and maintain

frequency; (3) maintaining the operating transfer capability of transmission lines; and (4) keeping in operation the automatic voltage regulation and power system stabilizing equipment on generators. The remaining 13 criteria would be added in two phases over a two to three year period. Criteria would be developed in accordance with WSCC's processes for obtaining input from its members and others interested parties.

The criteria would be stated in the WSCC Reliability Criteria Agreement and placed on file with the Federal Energy Regulatory Commission (FERC). Interested parties who object to the criteria would have an opportunity to petition the Commission. Participating members would enter into standardized contracts committing themselves to adhere to the criteria. Each Transmission Operator would enter into a Reliability Maintenance System (RMS) Agreement with WSCC that would commit the operator to adhere to the WSCC Reliability Criteria Agreement and to incorporate these criteria into agreements that it reached with inter-connected generators. WSCC states, however, that no Transmission Operator would be required to participate in the mandatory reliability program, and there would be no sanctions on those who insist on participating on a voluntary basis.

To enforce compliance with the reliability criteria, WSCC will monitor each party using data supplied by the Transmission Operators and interconnected generators. For potential cases of noncompliance, WSCC would provide an opportunity for the party to submit additional or corrected data. Thereafter, WSCC would identify instances of noncompliance and initiate sanctions. Participants subject to an initial determination of noncompliance could appeal to a WSCC Reliability Compliance Committee composed of one representative from each of seven industry sectors. Alternative Dispute Resolution ("ADR") is available to a party that objects to the determination of the Reliability Compliance Committee.

WSCC filed a petition with the FERC seeking a regulatory determination that its RMS agreement was fair and reasonable and an indication that the FERC would play the review role envisioned for it in the WSCC proposal. The FERC asserted jurisdiction over the WSCC proposal and approved its implementation on an experimental basis., noting that the WSCC's governance procedures were "fair". Similarly, the FERC indicated that the WSCC ADR procedures for dealing with proposed violations and sanctions seemed generally to be "just and reasonable."

In a business review letter issued by Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division, the Department stated that, based on the information and assurances provided to it, the processes by which WSCC will establish and enforce the reliability criteria do not appear to raise significant risks to competition.

Under the Department's Business Review Procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Antitrust Documents Group of the Antitrust Division, Suite 215, Liberty Place, 325 7th Street, N.W., Department of Justice, Washington, D.C. 20004. After a 30-day period, the documents supporting the business review will be added to the file.

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